

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 58015

CITY OF UNIVERSITY PLACE

Pierce County, Washington

August 31, 1995 Through December 31, 1995

Issue Date: March 7, 1997

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CITY OF UNIVERSITY PLACE
Pierce County, Washington
August 31, 1995 Through December 31, 1995

Background

On November 8, 1994, the Pierce County citizens approved the incorporation of a new city to be formed out of the unincorporated area between the cities of Tacoma and Fircrest. As allowed by RCW 35.02.130, in mid 1995 the newly elected council began to acquire facilities and equipment and began to hire staff in preparation for commencement of operations. The City of University Place was officially incorporated on August 31, 1995, and operates under the laws of the state of Washington applicable to a noncharter code city with a council-manager form of government. It is administered by a city manager and a seven-member city council with one of its members serving as mayor.

Since the city was officially incorporated late in the calendar year, the accompanying audited financial statements cover less than a complete fiscal year.

CITY OF UNIVERSITY PLACE
Pierce County, Washington
August 31, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

City Council
City of University Place
University Place, Washington

We have audited the general-purpose financial statements, as listed in the table of contents, of the City of University Place, Pierce County, Washington, as of and for the fiscal period ended December 31, 1995, and have issued our report thereon dated August 16, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the city's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the city complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted instances of noncompliance of regulatory requirements immaterial to the financial statements which are identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the city council and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

August 16, 1996

CITY OF UNIVERSITY PLACE
Pierce County, Washington
August 31, 1995 Through December 31, 1995

Schedule Of Findings

1. Road District Moneys Should Be Deposited In City Street Fund

As a part of our audit of the accounts of the City of University Place we reviewed the disposition of road district regular property taxes collected by the county treasurer and paid to the city. We found that these road district moneys were improperly deposited and spent in the city's General Fund. RCW 35.02.140 requires that the road district moneys be deposited in the City Street Fund:

Whenever in any territory forming a part of an incorporated city or town which is part of a road district, and road district regular property taxes are collectable on any property within such territory, the same shall, when collected by the county treasurer, be paid to such city or town and placed in the city or town street fund . . .

All of the \$1,241,783 in road district property taxes received by the city between the incorporation date of August 31, 1995, and the end of the first fiscal period, December 31, 1995, were deposited in the General Fund. This has the effect of diverting these moneys from their intended use in the upkeep and expansion of the city's streets. Instead, these moneys were used to help fund the general operations of the city as a whole. Management was unaware of this restriction on road district moneys.

We recommend that the city Current Expense Fund repay \$1,241,783 to the City Street Fund.

Auditee's Response

The City is in concurrence with the two findings presented in your preliminary draft letter of October 24. With respect to the first finding, "Road District Moneys Should Be Deposited In City Street Fund," we are in general concurrence, and the City has taken corrective action already, through Ordinance No. 210, adopted October 21, 1996. As is common with many cities, street fund expenses vastly exceed dedicated revenues, and the City will repay the entire \$1.2 million loan without difficulty by the end of 1997.

Auditor's Concluding Remarks

We would like to thank the officials of the City of University Place for their response to our finding and their efforts to correct the problem. We will review this matter at the time of our next audit.

2. Financial Statements Were Not Prepared Within Statutory Deadline

During the course of our audit of the newly incorporated City of University Place it was noted that annual financial reports had not been completed and filed as required by statute. RCW 43.09.230 requires that:

Every taxing district and other political subdivision shall prepare financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor.

RCW 43.09.230 also sets a time limit for preparation of these reports:

Such reports shall be prepared, certified, and filed . . . within one hundred fifty days after the close of each fiscal year.

Complete financial statements were not available until near the completion of our fieldwork in mid August. Since the City of University Place's incorporation on August 31, 1995, management has been unable to devote sufficient accounting resources to the preparation of these reports.

Failure to accurately prepare and file these annual financial reports with the State Auditor's Office prevents their inclusion in the statewide statistical database. This database is one of the primary tools used by the Legislature for planning and budget purposes. Exclusion of a city from this database because of late reporting negatively impacts the Legislature's ability to accurately forecast and plan for the needs of local governments.

We recommend that in future fiscal periods the city devote additional staff time and resources to the timely preparation of financial reports.

Auditee's Response

The second finding, " Financial Statements Were Not Prepared Within Statutory Deadline" is also one in which we concur. We did not acquire, and install, an automated financial system, until May 1996, some nine months after incorporation. This did, indeed, slow the efforts of our finance unit in preparing the annual financial report. We are pleased to note that the financial report itself met with the approval of the State Auditor, and that the two findings deal with process, rather than actual content, of the City's financial management. We anticipate that in the future we will be able to meet the State guideline without difficulty, now that our automated systems are in place and functioning.

We believe also that the addition of one staff member to our finance unit in 1997 and a fifth member in 1998 will bolster our resources to sufficiently respond to financial reporting requirements, along with the City's financial management requirements.

Auditor's Concluding Remarks

We would like to thank the officials of the City of University Place for their response to our finding and their efforts to correct the problem we have identified, we will review this matter at the time of our next audit.

CITY OF UNIVERSITY PLACE
Pierce County, Washington
August 31, 1995 Through December 31, 1995

Independent Auditor's Report On Financial Statements

City Council
City of University Place
University Place, Washington

We have audited the accompanying general-purpose financial statements of the City of University Place, Pierce County, Washington, as of and for the fiscal period ended December 31, 1995, as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of University Place, at December 31, 1995, and the results of its operations for the fiscal period then ended, in conformity with generally accepted accounting principles.

Brian Sonntag
State Auditor

August 16, 1996